



United States Department of Agriculture
Rural Development
Business & Cooperative Programs, Oregon State Office

(4/5/2005)

Question & Answers on the Value-Added Producer Grant (VAPG) Program

The following questions were raised during USDA Rural Development's information meetings on March 21, 2005 in Eugene and March 22, 2005 in Pendleton. We have done additional checking with our National Office in order to be able to give correct answers.

1. If I received a VAPG grant previously, how does this affect my opportunity to get another grant?

- A past VAPG Planning Grant grantee is not prohibited or penalized if they apply for a VAPG Working Capital Grant. They may not receive another Planning Grant for the same project. They may receive another Planning Grant for a different project, but they will be penalized -10 points in their priority score.
- Likewise, a past VAPG Working Capital Grant grantee is not prohibited or penalized if they apply for a VAPG Planning Grant. They may not receive another Working Capital Grant for the same project. They may receive another Working Capital Grant for a different project, but they will be penalized -10 points in their priority score.

2. Can a producer contribute his/her time as an "in-kind" match?

Normally, no. Any contributed labor needs to have a clearly demonstrable dollar value – e.g. the value of the labor on a per-hour basis. Because agricultural producers are typically self-employed and are not paid wages, their labor's "dollar value" is very difficult if not impossible to demonstrate. An exception would be a producer who also has an off-farm profession – e.g., as an accountant or attorney – in which case, the producer could contribute professional time and demonstrate the value of the match by providing documentation of their normal, off-farm compensation rate.

3. Can "in-kind" labor or the cost of staff necessary for "administering the VAPG grant" be treated as matching funds?

Normally, no. The time involved in administering a VAPG is not normally very significant nor will it require highly paid labor. If you include such a match, you will need to provide convincing supporting documentation.

4. Can a cooperative extension agent contribute his/her time as an "in-kind" match?

Yes. There are two possibilities:

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- First, the extension agent might contribute his/her time as part of his/her extension job. Because the extension agent is paid by Cooperative Extension – e.g., at an hourly rate – the extension agent’s supervisor could provide a letter documenting the dollar value of this labor based on the salary paid the agent by Cooperative Extension. It would also be advisable for the supervisor’s letter to document that that portion of the agent’s salary/time that is being contributed is not being paid with Federal funds.
- Second, the extension agent might volunteer to assist the project outside of his/her extension job. If this is the case, the extension agent could provide a letter documenting the value of his/her labor based on the salary he/she is paid by Cooperative Extension. (In this case, no letter from his/her supervisor would be necessary.)

5. Priority points are awarded based on lower “project cost per owner-producer”. If the applicant is a married couple, or is a partnership with two partners, or is a corporation with two stockholders, would this count as one or two producers?

Each scenario would be considered to involve two producers provided. Not in order to qualify as an “independent producer” each partner/stockholder must share the majority ownership in the commodity being produced.

6. Several neighbors get together to apply for a planning grant. Because they are not a formal legal organization, they apply as a “steering committee”. Does the “steering committee” need a DUNS number?

Because the steering committee is only an informal association, no DUNS number is required with the application. However, the steering committee needs to bear in mind that if they are selected for a VAPG grant, a precondition of the grant will be that they set up a formal legal entity to be the grantee. That entity will be required to obtain a DUNS number.

7. The VAPG program requires a minimum of 1-to-1 match. Is there any benefit to providing a larger match?

There is no significant benefit. Whatever match is proposed becomes subject to USDA documentation requirements, so keeping the match at the minimum required level may be attractive. Conceivably, if you are applying for a Working Capital Grant, some added weight might be given by independent reviewers to projects with a larger match under the “Commitments and support” points category, but matching funds are usually only a minor aspect of this score.

8. Priority points are awarded for projects in the “Presidential initiative on bio-energy”. Bio-diesel, ethanol, and other bio-fuels qualify for these points. Would a project that involves bio-lubricants also qualify?

No. Lubricants are not energy products. Only projects that involve the production of fuel or energy may qualify for these points.

9. When preparing budgets for Planning Grants, should ineligible, non-Planning uses be included?

No. A Planning Grant application must show budget figures in two places – on Form SF 424B and as part of the “Work Plan” in the narrative. Planning Grants are normally straightforward, discrete projects. There is no need to provide budgeting information extraneous to the project. Instead focus exclusively on the Planning project itself and stick to eligible, Planning uses only.

10. When preparing budgets for Working Capital Grants, should ineligible, non-Working Capital uses be included?

A Working Capital Grant application must show budget figures in three places – on Form SF 424B, as part of the “Work Plan” in the narrative, and as part of the “Pro Forma Financial Statements” in the narrative. For Form SF 424B and the “Work Plan”, focus exclusively on the Working Capital project and stick to eligible, Working Capital uses only. However, for the “Pro Forma Financial Statements”, the budget of the entire value-added enterprise should be shown, and this must therefore include items outside the scope of the grant project and will probably include grant-ineligible expenses such as real estate and equipment expenses.

11. An eligible producer cooperative is already operating a value-added business, and the business’s fiscal year-end is August 31. The coop wants to apply for a Working Capital Grant. What start date should the applicant use for its “Pro Forma Financial Statements” in the narrative?

Select a starting date that makes sense for the presentation of your project. In this case, a starting date of 9/1/2005 could very well make sense. The first year of the three-years of pro forma financial statements would be 9/1/2005 to 8/31/2006. In addition, bear in mind the answer to the previous question – for the Form SF 424B and the “Work Plan” portions of the application, focus exclusively on the Working Capital project and stick to eligible, Working Capital uses only.

(Note: In this example, since this applicant is a coop and not an “independent producer”, it will be necessary to document that the coop’s business is less than two years old – so that the project can be considered an “emerging market” – and therefore eligible for VAPG assistance.)

12. I am concerned that my intellectual property rights and trade secrets may be compromised if I file a VAPG application.

- First, bear in mind that it is not necessary to submit detailed patent information, diagrams, formulas, or recipes when you apply for a VAPG grant. You only need to describe the product that will be created and provide sufficient information to convey to reviewers that the proposal is possible. You do not need to reveal all of the technical details or your proprietary information.
- Second, under the Freedom of Information Act (FOIA), trade secrets and commercial & financial information are generally considered privileged and confidential and are not released. If USDA receives a request for such information under FOIA, the VAPG applicant is consulted and given full opportunity to show that the release of information is improper.

13. A Working Capital grant applicant must have already obtained a feasibility study before they apply; they then provide it to USDA later if their project is selected for funding. What standard does USDA use to evaluate the adequacy of a feasibility study?

The feasibility study must have been completed by an independent third party. USDA's standard criteria for a feasibility study can be found in RD Instruction 4279-B, Appendix A, which is online at: <http://www.rurdev.usda.gov/regs/regs/pdf/4279b.pdf> For VAPG projects, USDA recognizes that the feasibility study may not include information about a specific site for the value-added operation.

14. A Working Capital grant applicant must have already completed a business plan before they apply; they then provide it to USDA if the applicant is selected for funding. What standard does USDA use to evaluate the adequacy of a business plan?

The business plan must have included third party consultation in its development. Beyond this, USDA has no standard criteria for a business plan other than that it should include a description of the business and project, management experience, products and services, proposed use of funds, availability of labor, raw materials and supplies, and the names of any corporate parent, affiliates, and subsidiaries with a description of the relationship. The Small Business Administration's web site provides a template that you might find helpful: http://www.sba.gov/starting_business/planning/writingplan.html

15. Does USDA give the final score sheets back to unsuccessful VAPG applicants?

Yes.

More questions?

Check out USDA Rural Development's "Frequently Asked Questions" web site at:
<http://www.rurdev.usda.gov/rbs/coops/faq.htm>